

Ukraine's "pre-election economy"

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The notion of "pre-election economy" was obviously not invented in the former Soviet Union: before the USSR collapsed, the bloc of Communists and non-Communist activists used to win the elections regardless of the situation in the country.

In the post-Soviet environment, however, it took the phenomenon of "pre-election economy" a few years to develop clear features. Though, the new power elites of the former republics have proved to be capable and fast learners, and promptly mastered the real implications and relationship between the notions of "elections" and "economy".

Ukraine's President Leonid Kuchma is no exception. Last week he paid yet another visit to Moscow. This visit, though given the status of official and reported to be a purely economy-focused, presented a political message as clearly as an economic one.

Looking For... (Support, Happiness, New Markets - Tick as Appropriate)

The main purpose of President Kuchma's visit to Moscow was, as we all know, signing a Treaty on Economic Cooperation for the period till 2010 between Ukraine and the Russian Federation. Though, before taking a closer look at the treaty, let us review the highlights of the Ukrainian President's policy within the recent six or seven months.

First - which simply could not go unnoticed - intensive schedule of visits to Moscow by President Kuchma, Prime Minister Valery Pustovoitenko and a number of members of his cabinet. Second - practically complete silence at the Central European and Western European directions - except a few PR visits to the Netherlands, Romania and Slovakia. The lack of visible activity aiming at enhancing ties with western neighbors was accompanied with talks about "increasing the role of the Commonwealth of Independent States", "fostering ties with Russia", etc. Gradually the issues like signing a free trade agreement with Poland and joining the World Trade Organization - which, according to the Lazarenko and, subsequently, the Pustovoitenko governments, were due by the end of 1997 - disappeared from the Ukrainian officials' agenda. Nowadays, Ukraine seems to have forgotten its repeatedly declared intentions to join the Central European Free Trade Association (CEFTA). Shortly after the Agreement on partnership and cooperation between Ukraine and the EU came into force, the official Kyiv "congratulated" the EU partner with the government's resolution that limited the import of some categories of used cars, most of which were produced in, and imported from EU states.

On the one hand, the attitude is clear, particularly for those who studies the dynamics of post-Soviet Ukrainian-Russian relations: the reason for such a special warmth is the promise of support to Leonid Kuchma at the October 1999 presidential elections. On the other hand, the situation remains somewhat strange: according to the constitution, the next presidential election is due in 18 months, and it's too early to make any radical moves (though it's not early to do the strategic planning). Taking into account Russian President Boris Yeltsin's words about his support for Leonid Kuchma's presidential aspirations, one may assume that - unlike during the 1994 presidential elections, when the Russian material and financial support for Kuchma was based practically exclusively on oral commitments most of which Kuchma never fulfilled - this time the Russians decided to take a more cautious way. These precautions are easy to explain: last time Leonid Kuchma was just a candidate; nowadays he is the real president. Therefore, keeping in mind his failing memory as far as his own vows are concerned, one may demand on him to provide a substantial advance. Hence, one may also assume that the advance may be given in the form of the aforementioned Treaty on Economic Cooperation.

Documents

Currently the reality is that winning the Ukrainian presidential election without any Russian support is a very, very complicated task. Western support is something totally different from the kind of support that Russia can provide: it can be generalized by German President Roman Herzog's phrase - "it's not our style". One can hardly agree completely with the statement made by Serhiy Terekhin, MP and a

leader of the Reforms and Order election bloc, who argued at his press conference that "the country is being sold". Meanwhile, a number of provisions of the economic cooperation treaty and the annexes clearly show domination of political interests over economic ones.

Primarily, there is a contradiction in the meaning attributed to the document by the two parties, as well as the surprisingly brief time of its initiation, development and coordination - the total of about six months.

The treaty and the annexes may be divided into two parts. The first part includes provisions that are virtually replicas of a number of previous documents, both bilateral and multilateral, adopted within the CIS and signed by Ukraine. The second part consists of provisions which, up to the most recent time, have been unacceptable for Ukraine, as Leonid Kuchma used to stress. What are those agreements:

- (1) the Preamble suggests "formation of the common economic and scientific-technical environment";
- (2) Article 3 stipulates that "... the parties will carry out coordination of the implementation of economic reforms, coordination of the structural, credit-monetary, hard currency, taxation, pricing and social policies...";
- (3) Article 4 stipulates that "... the parties will carry out concurrent measures [aiming at] coordination of foreign policy and customs policy...";
- (4) according to Article 12, "[i]n the field of military- technical cooperation, the High Parties to the agreement shall undertake additional measures for development of integrational relations of defence enterprises"

In our view, the most remarkable is Article 8 of the Treaty, proposed, according to the draft document, by Russia, and received rather cautiously by Ukraine. There are all reasons to believe that the sense of the article is preserved in the final version of the document:

".. the parties confirm that all real estate and assets, including buildings, constructions, pipelines, enterprises and other property complexes, created at the territory of one of the High Parties to the agreement, at the expense of investment of legal entities or citizens of the other High Party to the agreement, are its (their) property in accordance with the national legislation..."

One may here the key word - "pipelines"...

The list of measures of the program of the Ukrainian-Russian economic cooperation treaty includes provisions mainly for cooperation in the military-industrial domain. Specifically, the annexes envisage working out a concept of development of Ukraine's securities market. The concept is expected to be produced jointly by the Ukrainian Securities Committee and its counterpart entity in Moscow. Furthermore, the treaty provides for cooperation between the Ukrainian Ministry of Defence and the Ministry of Industrial Policy, and the Russian Ministry of Defence and the Ministry of Economy, in production of photo receiving and laser technologies. Other plans include development of joint research and technology programs in key branches of electronics. Among the leading partners in this field, the treaty defines the Yuzhnoye design bureau, once a major developer of Soviet missiles, the Khartron producer of space electronics, as well as Defence Ministries of the two states, the Ukrainian Ministry of Industrial Policy, the Russian Ministry of Economy, and the Academy of Sciences.

The provisions for joint research and technical programs in priority fields might suggest idealistic hopes for conversion. As if to stress the depth of the declared cooperation, the following provision includes "preparing a draft agreement between the government of the Russian Federation and the government of Ukraine about maintaining specialization of enterprises involved in military production". To complete the feeling of a deal, the document announces that a new agreement will be prepared shortly: the one on mutual protection of classified information and materials.

No matter how much the treaty may contribute to President Kuchma's re-election bid, it is likely to leave Ukraine with few alternatives as to its further foreign policy course.

